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UNCLAS SECTION 01 OF 02 LAGOS 000101

SENSITIVE
SIPDIS

COMMERCE FOR KBURRESS
ENERGY FOR PERSON, GAY
TREASURY FOR DPETERS, RHALL, RABDULRAZAK
STATE PASS USTR FOR LISER, AGAMA
STATE PASS TRANSPORTATION FOR KSAMPLE
STATE PASS OPIC FOR ZHAN, MSTUCKART, JEDWARDS
STATE PASS TDA FOR EEBONG, DSHUSTER
STATE PASS EXIM FOR JRICHTER
STATE PASS USAID FOR NFREEMAN, GBERTOLIN

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SUBJECT: NIGERIA: OGUN STATE FREE TRADE ZONE PROJECTS STALLED

REF: A) 08 LAGOS 7
B) 07 LAGOS 794

11. (SBU) Summary: The free trade zone (FTZ) projects in Ogun State, southwest Nigeria appear stalled by the global financial crisis and ongoing political wrangling in the state. EconSpec's visit to the Kajola Specialized Railway Industrial FTZ and the Ogun-Guangdong FTZ on February 23 revealed no construction was going on at either site. Although the state government has earmarked naira 25.86 billion (USD172 million) or 26 percent of its 2009 budget for its key economic projects, including the FTZs, and plans to raise naira 27 billion (USD180 million) from the capital market, it is not likely Governor Daniel's administration will achieve much before it expires in 2011. End summary.

Kajola Railway FTZ Bare

12. (U) Almost two years after former President Obasanjo approved the Free Trade Zone (FTZ) at Kajola in Ifo Local Government Area of Ogun State, the FTZ site lies bare. Designed to integrate the federal government's railway modernization project with Ogun state's plans, the Kajola Specialized Railway Industrial FTZ, approved in May 2007, was to be constructed by the Chinese Construction Engineering Company (CCEC) as a railway hub for easy transportation of raw materials and finished goods for existing industries (Ref A). However, the FTZ site was bare when EconSpec visited on February 23. The FTZ site manager, Mr. Wung and security officer Obileye, who moved to the site in June 2008, said nothing had been done at the site since it was initially cleared. (Comment: Apart from three tractors and four trucks belonging to CCEC, there was nothing else to show for the project's progress. Even the nearby Nigeria National Petroleum Corporation's gas pipeline is old and without gas. End comment). EconSpec asked who was responsible for the road leading to the site, which was pocked with huge holes. Wung said CCEC had planned to reconstruct the road, but has been held up by the state government which has not provided the company with funds.

Ogun Guangdong FTZ Also Stalled

13. (U) EconSpec's visit to the Ogun Guangdong FTZ at Igbessa, also

on February 23, revealed that the project is also stalled. Jennifer Chen Yu, an official of Guangdong Xinguang International Company, said her firm has the responsibility to build the FTZ and the roads leading to it. However, she said the current global financial crisis has affected the company's work plan on the project. The company's representative in Nigeria has had to return to China to resolve funding issues. Chen Yu opined that the Ogun state government's commitment to the project may also have waned because of the worldwide economic slowdown.

Ogun Budgets USD172 Million for Economic Projects

14. (U) The Ogun state government has allocated naira 25.86 billion (USD172 million) or 26 percent of its 2009 budget to its Economic Affairs office, which oversees key economic projects including the FTZs. Yosola Akinbi, Economic Adviser to Governor Gbenga Daniel, told EconSpec that the governor is determined to start most of these projects this year despite the financial crisis and economic downturn. She said the state, whose 2009 budget is naira 22 billion (USD 147 million) less than its 2008 budget, plans to raise naira 27 billion (USD 180 million) from bond issuance in the capital market.

15. (SBU) Comment: Governor Daniel's administration had been lauded for its ambitious economic projects, including the free trade zones, deep seaport and international airport, all of which have been government buzz-words since 2007. Although many were skeptical about the viability of the projects because of their deferred benefits, the government appeared doggedly to be pursuing them. However, Governor Daniel has recently seemed distracted by political

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wrangling concerning his likely successor since his tenure ends in 2011, and the global financial crisis appears to be one of several influences that have put the brakes on these projects. His determination to start the projects now, despite the near certainty he will not be able to complete them before his term ends, may mark them as additions to Nigeria's long list of white elephant projects. End comment.

16. (U) This cable was cleared with Embassy Abuja.

Blair